United Nations DP/2015/26

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Annual review of the financial situation, 2014

Report of the Administrator

Summary

The present report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2014. UNDP maintained a positive net asset position on its balance sheet, and achieved regular resources year-end liquidity above the threshold requested by the Executive Board.

Nonetheless, 2014 was a challenging financial year. Total UNDP revenue decreased by 3 per cent, to $5.00 billion (2013: $5.153 billion), of which contributions were 3 per cent lower, at $4.715 billion (2013: $4.840 billion). Total expenses in 2014 rose slightly, to $5.314 billion (2013: $5.246 billion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Contributions to regular resources fell by 11 per cent, to $0.793 billion (2013: $0.896 billion), including $0.019 billion from programme country governments (2013: 0.018billion). A total of $0.028 billion from several donors was received and recorded in 2014. Regular resources expenses fell by 6 per cent, to $0.940 billion (2013: $0.999 billion), remaining above the level of revenue by drawing upon the accumulated surplus excluding unrealized adjustments from previous years.

Other resources contributions fell by 1 per cent, to $3.922 billion (2013: $3.944 billion). The ratio of regular to other resources was 17 and 83 per cent respectively (2013: 19 and 81 per cent).

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Contributions to other resources comprised funding from: programme country governments, which fell by 22 per cent, to $0.885 billion (2013: $1.136 billion); donor country governments, which increased by 8 per cent, to $1.411 billion (2013: $1.311 billion); and multilateral partners, which increased by 9 per cent, to $1.626 billion (2013: $1.497 billion). Other resources expenses also increased, by 3 per cent, to $4.597 billion (2013: $4.460 billion), remaining above the level of contributions.

UNCDF revenue totalled $0.089 billion. Contributions increased for the third successive year, to $0.088 billion (2013: $0.065 billion), mainly due to continued growth in other resources. Expenses were $0.058 billion, of which $0.057 billion was for development activities (2013: $0.052 billion). UNCDF reported an overall surplus of $0.031 billion (2013: $0.006 billion), driven primarily by other resources activities.

UNDP coordinates the United Nations system at the country level and plays a vital role in forging development coherence. The value of fund flows to multi-donor trust funds, joint programmes and other United Nations organizations totalled $1.484 billion (2013: $1.325 billion). The increase was due primarily to contributions of $0.126 billion received for the new Ebola response multi-partner trust fund.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2015/26, DP/2015/26/Add.1, and DP/2015/27;

(b) note the importance of regular resources, which form the bedrock of the organization as they allow UNDP to be strategic, plan ahead, respond quickly and flexibly to crises, improve quality assurance and transparency, and provide predictable, differentiated development services across programme countries, particularly the poorest and most vulnerable;

(c) urge Member States to prioritize regular resources and other resources that are flexible, predictable, less earmarked, and aligned to the outcomes of the strategic plan, 2014-2017;

(d) recall the importance of funding predictability and timeliness of payments to avoid liquidity constraints in regular resources;

(e) urge Member States that have not yet provided their contribution to regular resources for 2015 to do so, as early as possible;

(f) urge Member States to announce and adhere to multi-year pledges and payment schedules;

(g) urge Member States to continue their dialogue with UNDP on shifting to less restricted/"earmarked" other resources funding.

Contents

		Page
I.	Introduction	5
II.	UNDP overview	5
	A. Revenue	6
	B. Expenses	9
	C. Accumulated surplus	10
III.	Regular resources	11
	A. Revenue	12
	B. Expenses	14
	C. Regular resources and institutional budget expenditure	16
	D. Accumulated surplus	17
IV.	Cost-sharing	17
	A. Revenue	17
	B. Expenses	21
	C. Accumulated surplus	22
V.	Trust funds	22
	A. Revenue	22
	B. Expenses	24
	C. Accumulated surplus	25
VI.	Reimbursable support services and miscellaneous activities	25
	A. Revenue	26
	B. Expenses	27
	C. Cost recovery	28
	D. Accumulated surplus	29
	E. Others	29
VII.	United Nations reform and support to other United Nations organizations	31
	A. UNDP administrative agent function	31
	B. Support to United Nations organizations	31
	C. United Nations development coordination activities	31
	D. United Nations-mandated security costs	31
VIII.	International Public Sector Accounting Standards	32
IX.	"Greening" UNDP	32
X.	Funds administered by UNDP (UNCDF)	33

Annexes (available on the UNDP Executive Board website)

I. UNDP overview

A. Statement of financial performance for the year ended 31 December 2014

B. Statement of financial position as at 31 December 2014

II. Regular resources — comparison of budget to actual, 2014

III. A. Integrated resources plan, 2014-2015 compared to 2014 actuals

B. Indicative estimates — institutional components of the integrated resources plan by functional cluster

IV. General Management Support waivers

V. United Nations Capital Development Fund — overview

A. Statement of financial performance for the year ended 31 December 2014

B. Statement of financial position as at 31 December 2014

VI. Explanations of terms used in DP/2015/26 and DP/2015/26/Add.1

I. Introduction

1. This report provides an overview of the financial position of UNDP and UNCDF at the end of 2014. Following the adoption of International Public Sector Accounting Standards, some 2013 revenue and expense items were restated to facilitate meaningful comparison. Since UNDP transitioned from the United Nations system accounting standards as of 1 January 2012, figures relating to 2011 or earlier are not directly comparable but useful for illustrative purposes.

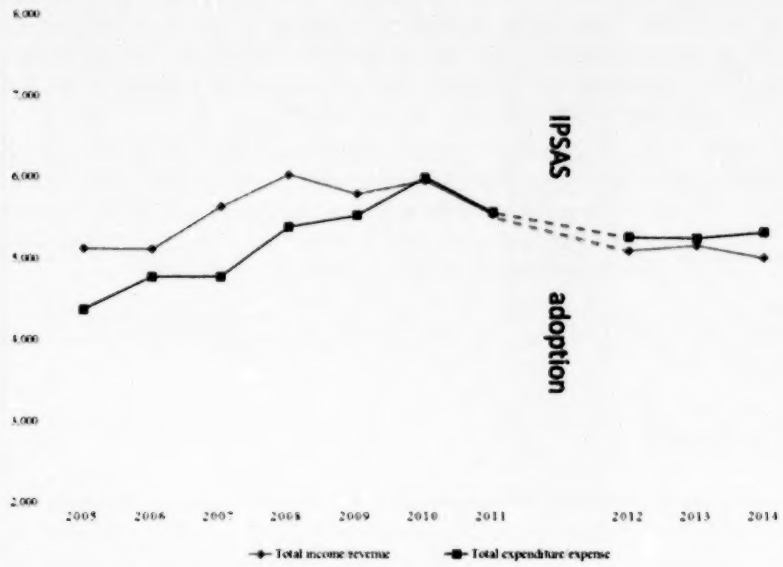
2. The analysis of aggregate-level UNDP activities is followed by analyses of regular ("core") and other ("non-core") resources, namely, cost-sharing, trust funds and reimbursable support services and miscellaneous, the United Nations Volunteers (UNV) programme, and other activities. The analysis of UNCDF is shown in chapter X; UNCDF amounts are not included in overall UNDP amounts.

3. Annexes I-VI are available on the UNDP website. Tables 1-11 in DP/2015/26/Add.1 provide further details of activities undertaken by UNDP and UNCDF.

II. UNDP overview

4. In a challenging financial environment, total UNDP revenue decreased by 3 per cent, to $5,001 million (2013: $5,153 million). Total expenses increased by 1 per cent, to $5,314 million (2013: $5,246 million), continuing the trend of remaining above the level of total revenue for 2014 by drawing upon the accumulated surplus. UNDP continued to maintain a positive net asset position on the balance sheet, and a year-end core liquidity position above the minimum threshold requested by the Executive Board (see paragraph 52). Figure 1, below, illustrates the trend.

Figure 1
Revenue and expenses, 2005-2014
(in millions of dollars)



IPSAS — International Public Sector Accounting Standards

5. In accordance with decision 2013/28, this report includes a comparative overview of 2014 actual utilization compared to 2014-2015 resource planning figures in the UNDP budget document, 2014-2017 (DP/2013/41), and the corresponding addendum. A table is included in the format of the UNDP resource plan (annex III. A), and in line with harmonized functional clusters (annex III. B).

A. Revenue

6. Total revenue fell by 3 per cent, to $5,001 million (2013: $5,153 million). Table 1, below, shows the breakdown.

Table 1
UNDP overall revenue, 2014
(in millions of dollars)

Resources	2014	2013	Increase/ (decrease)	% change
Revenue				
Contributions	4,715	4,840	(125)	(3%)
less: transfer to GLOC	(4)	(2)	(2)	100%
GLOC	39	33	6	18%
In-kind contributions	18	17	1	6%
Transfer of funds and refunds to donors	(123)	(51)	(72)	141%
Contributions, net	4,645	4,837	(192)	(4%)
Revenue from hedging programme	19	(2)	21	(1050%)
Investment revenue	38	55	(17)	(31%)
Other revenue	522	476	46	10%
Total revenue before elimination	5,224	5,366	(142)	(3%)
Elimination — internal UNDP cost recovery	(223)	(213)	(10)	5%
Total revenue after elimination	5,001	5,153	(152)	(3%)

GLOC — Government contributions to local office costs

7. Table 2a, below, presents the total UNDP contributions of $4,715 million, which fell by 3 per cent (2013: $4,840 million). This includes contributions receivable from partners of $126 million (2013: $132 million). UNDP was funded 17 per cent from regular resources and 83 per cent from other resources (2013: 19 per cent and 81 per cent, respectively), a trend continuing in 2015.

Table 2a
UNDP contributions by donor source, 2014
(in millions of dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2014	2,184	905	1,626	4,715
2013	2,189	1,153	1,498	4,840
Increase/(decrease)	(4)	(249)	128	(125)
% change	0%	(22%)	9%	(3%)

8. Of the total contributions, $2,184 million, representing, 46 per cent (2013: 45 per cent), was from donor country governments; $1,626 million, representing 35 per cent (2013: 31 per cent), was from multilateral partners; $905 million, representing 19 per cent (2013: 24 per cent), was from programme country governments that channelled funds through UNDP in support of their national development.

Table 2b
UNDP contributions by resource type, 2014
(in millions of dollars)

Resources	Regular resources	Cost-sharing	Trust funds	Reimbursable support services and misc. activities	Total UNDP
Revenue					
Contributions	793	2,921	875	126	4,715
less: transfer to GLOC	(4)				(4)
GLOC	27			12	39
In-kind contributions	18				18
Transfer of funds and refunds to donors	1	(113)	(18)	7	(123)
Contributions, net	835	2,808	857	145	4,645

GLOC — Government contributions to local office costs

9. Total contributions to regular resources fell by 11 per cent, to $793 million (2013: $896 million), including $28 million relating to 2013 that was received and recorded in 2014. Government contributions to local office costs of $27 million in cash were received, an increase of 17 per cent from 2013. In-kind contributions of $18 million were also recognized in 2014.

10. Cost-sharing contributions reached a total of $2,921 million (2013: $3,060 million), comprising $2,799 million received and $122 million receivable.

11. Trust fund contributions received increased by over 17 per cent, to $875 million (2013: $743 million), including $2 million receivable.

12 Reimbursable support services and miscellaneous activities contributions totalled to $126 million (2013: $141 million), including $2 million receivable. These consisted of the Junior Professional Officer (JPO) programme ($15 million); the UNV programme ($19 million); management service agreements ($6 million); and special activities and reimbursable support services contributions ($86 million).

13. Cost-sharing, trust funds and reimbursable support services contributions are "earmarked" for specific programmes and activities, and are important complements to the "un-earmarked" regular resource base of UNDP. A stable, predictable level of regular resources allows UNDP to pursue integrated management and programming focused on long-term effectiveness and sustainability. UNDP is committed to working with Member States and partners to increase regular resources and reverse the negative trend; to improve the flexibility of other resources funding; and to further diversify the funding base across and beyond governments.

Investment revenue

14. Total investment revenue decreased by 35 per cent, to $38 million (2013: $55 million), largely attributable to the continued monetary easing policies of central banks, the resulting lower-interest-rate environment, and lower cash balances. The rate of return on the investment portfolio nevertheless exceeded the three-month London Inter-Bank Offered Rate benchmark throughout 2014.

B. Expenses

15. Total expenses increased by 1 per cent, to $5,314 million (2013: $5,246 million), remaining above the level of total revenue by drawing upon the accumulated surplus. Eighty-three per cent (2013: 82 per cent) was spent on development activities, including development effectiveness; 2 per cent (as in 2013) on United Nations development coordination activities; 8 per cent (as in 2013) on management activities; 1 per cent (as in 2013) on special-purpose activities; and 6 per cent (as in 2013) on other activities.

Table 3a
UNDP overall expenses, 2014
(in millions of dollars)

Resources	2014	2013	increase/ (decrease)	% change
Expenses				
Development activities				
Programme	4,398	4,355	43	1%
Development effectiveness	175	140	35	25%
Subtotal — development activities	4,573	4,495	78	2%
United Nations development coordination activities	117	119	(2)	(2%)
Management activities	450	462	(12)	(3%)
Special-purpose activities	66	56	10	18%
Other activities	331	327	4	1%
Total expenses before elimination	5,537	5,459	78	1%
Elimination — internal cost recovery	(223)	(213)	(10)	5%
Total expenses	5,314	5,246	68	1%

16. The total expenses of $5,537 million comprises the categories shown in table 3b, below.

Table 3b
UNDP expenses, by cost classification, 2014
(in millions of dollars)

Resources	Regular resources	Cost-sharing	Trust funds	Reimbursable support services and misc. activities	Total UNDP
Expenses					
Development activities					
Programme	466	2,923	919	90	4,398
Development effectiveness	79	-	4	92	175
Subtotal - development activities	545	2,923	923	182	4,573
United Nations development coordination activities	88	-	-	29	117
Management activities	212	-	37	201	450
Special-purpose activities	19	-	-	47	66
Other activities	76	-	-	255	331
Total expenses	940	2,923	960	714	5,537

C. Accumulated surplus

17. The UNDP financial regulations and rules require it to operate on a fully-funded basis for non-core or other resources activities. In accordance with partnership agreements, all project balances are segregated for accounting and reporting purposes. Funds are held for discrete purposes, with no commingling of balances between projects or fungibility of resources for commitment or disbursement. Appropriate cash balances are held for future liabilities, such as settling current liabilities or after-service health insurance.

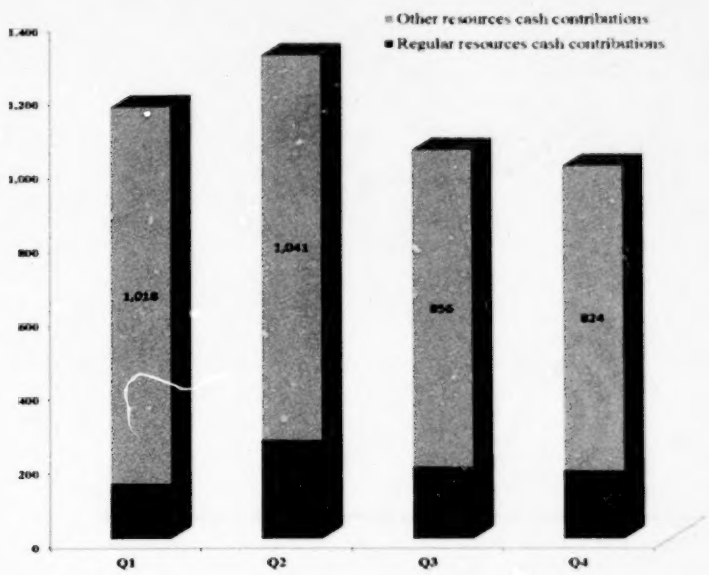
18. The overall accumulated surplus at 31 December 2014, excluding reserves, continued to decline, by 12 per cent, to $3,832 million (2013: $4,369 million). UNDP continued to have an overall positive net position.

19. The decline was due primarily to total expenses exceeding total revenue, drawing $313 million from the accumulated surplus. In addition, the accumulated surplus was negatively affected by a $226 million accounting adjustment for an unrealized loss relating to after-service health insurance, resulting from a decrease in the actuarial assumption discount rate, and prior period adjustments undertaken for a change in accounting policy under International Public Sector Accounting Standards. A further $5 million and $3 million were released to the accumulated surpluses of regular resources and other resources, respectively, from their operational reserves, in accordance with the operational reserve formula approved by the Executive Board in decision 1999/9.

20. UNDP continues to seek every opportunity to accelerate development assistance and further draw down its accumulated surplus, taking into account the timing of the receipt of funds, the programme cycle, and the UNDP regulatory and governance framework, as approved by the Executive Board. The majority of these resources have been programmed for delivery in future years, notably 78 per cent of cost-sharing and 69 per cent of trust fund resources.

21. A total of $1,008 million, or 22 per cent of total cash receipts for contributions for current and prior years (regular and other resources), were received in the last quarter for delivery in future years (2013: 34 per cent), as shown in figure 2 below. This represents a relative improvement in the timeliness of contributions, albeit at a reduced level.

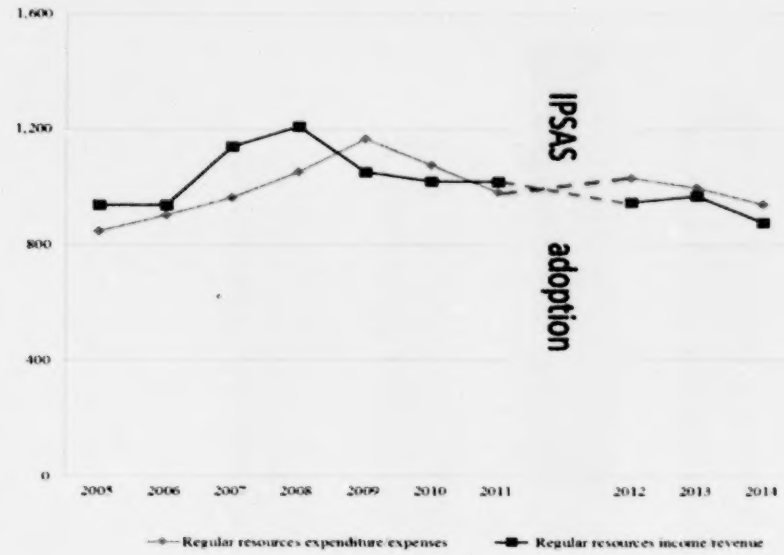
Figure 2
Receipt of resources, by quarter, 2014
(in millions of dollars)



III. Regular resources

22. Regular resources revenue decreased by 11 per cent, to $878 million. Contributions also decreased by 11 per cent, to $793 million (2013: $896 million). Expenses, too, decreased, by 6 per cent, to $940 million (2013: $999 million). The excess of expenses over revenue of $61 million (2013: $29 million) was funded from the accumulated surplus, excluding unrealized adjustments.

Figure 3
Regular resources revenue and expenses, 2004-2014
(in millions of dollars)



IPSAS — International Public Sector Accounting Standards

A. Revenue

23. Regular resources revenue, inclusive of contributions, investment interest revenue, and other revenue, decreased by 11 per cent, to $878 million.

Table 4
Regular resources revenue, 2013-2014
(in millions of dollars)

Regular resources	2014	2013	Increase/ (decrease)	% change
Revenue				
Contributions	793	896	(103)	(11%)
less: transfer to GLOC	(4)	(2)	(2)	100%
GLOC	27	21	6	29%
Contributions in-kind	18	17	1	6%
Transfer of funds & refunds to donors	1	1	-	-
Contributions, net	835	933	(98)	(11%)
Revenue from Hedging Programme	19	(2)	21	(1050%)
Investment revenue	10	13	(3)	(23%)
Other revenue	14	26	(12)	(46%)
Total revenue	878	970	(92)	(9%)

GLOC — Government contributions to local office costs

Contributions

24. Contributions to regular resources decreased by 11 per cent, to $793 million, including $28 million of contributions relating to 2013 that were received and recorded in 2014. Excluding that $28 million, regular resources contributions in 2014 would be $765 million (2013: $867 million), a decrease of 12 per cent, partly due to a net decrease in local currency contributions ($97 million) and foreign exchange effects (net loss of $5 million).

25. As shown in table 5, below, contributions from the top 10 partners amounted to $626 million, representing 79 per cent of contributions of $793 million (2013: $780 million; 87 per cent of $896 million in contributions). The $793 million comprised $773 million from donor country governments and $19 million from programme country governments.

26. Eleven partners increased their contributions in dollars or local currency, and twelve maintained their contributions the same level as in 2013. Ten partners reduced their contributions in local currency, including eight members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. After a break in 2013, two donor country governments and four programme country governments resumed making contributions in 2014.

27. Fifty-six Member States contributed to regular resources (2013: 55), including 29 programme countries (2013: 27). Broadening the number of Member States contributing to regular resources remains a key objective, including through the recent launch of the "100 Core Champions for Sustainable Human Development" campaign. Details of contributions to regular resources by Member State are presented in table 4 of DP/2015/26/Add.1.

Table 5

Regular resources contributions — top 10 partners, 2013-2014

(in millions of dollars)

Donor	Contributions in local currency (millions)			Contributions expressed as dollars (millions)		
	2014	*2013*	*Per cent change*	*2014*	*2013*	*Per cent change*
Norway	680	730	(7%)	112	133	(16%)
United Kingdom of Great Britain and Northern Ireland	55	55	-	90	85	6%
United States of America	81	79	3%	81	79	3%
Japan*				80	80	-
Sweden	510	561	(9%)	73	85	(14%)
Switzerland	57	57	-	63	63	-
Denmark	330	330	-	60	57	5%
Netherlands	28	58	(52%)	37	74	(50%)
Finland	22	22	-	30	29	3%
Germany	22	22	-	29	30	(3%)
Total: top 10 donors				***626***	***685***	(9%)
Others				***167***	***211***	(21%)
Core — total voluntary contributions**				**793**	**896**	(11%)
Funds received in 2013 for 2012					(57)	
Funds received in 2014 for 2013 and prior				(28)	28	
Core — adjusted contributions				765	867	(12%)

Source: DP/2015/26/Add.1, table 5.

*Contributions from Japan are pledged and received in dollars.

**A $33 million late payment, received for 2014, will be recorded in 2015.

28. While UNDP responded to the reductions through institutional efficiency and economy measures, regular resources remain vulnerable to both volume reductions and exchange rate fluctuations. UNDP continues to adapt its business model in response to fluctuations in funding, although further significant reductions in regular resources jeopardize its ability to achieve planned strategic results.

Government contributions to local office costs

29. Government contributions to local office costs are a significant source of revenue, and can be a cash or an in-kind donation. They signal acknowledgement by host governments of the value of the UNDP country office presence.

30. The total 2014 target (cash and in-kind) was $60 million. The contributions received totalled $39 million, consisting of an increase of 17 per cent in cash contributions to $27 million, and in-kind contributions of premises, buildings and utilities of $11.5 million (2013: $11.4 million). The Administrator appreciates the efforts made by many programme countries in meeting their obligations in this regard.

31. Table 8(a) in the DP/2015/26/Add.1 provides this information by country. Pursuant to decision 2014/30, table 8(b) in the addendum contains government contribution to local office costs statistics, by country, for the period of the previous strategic plan (2008-2013) to 2014.

32. UNDP has made consistent efforts to collect arrears. In 2014 several countries made $5 million contributions towards prior period arrears in local office costs contributions. Those countries, and the amounts contributed, are shown in table 8(c), and are gratefully acknowledged.

Revenue from hedging programme

33. The UNDP currency hedging programme generated a $19 million benefit by securing better exchange rates than the monthly United Nations rate on regular resources contributions, plus premiums earned on options transactions. UNDP has continued the programme in 2015. Given the continued volatility of exchange rates, a dynamic approach to hedging is being followed, based on market conditions and core contributions exposure.

Investment revenue

34. Investment revenue from regular resources decreased to $10 million (2013: $13 million), for reasons similar to those provided in paragraph 14.

Other revenue

35. Other revenue, mainly comprising miscellaneous revenue and exchange gains, totalled $14 million (2013: $26 million). The decrease is due primarily to currency losses from exchange rate fluctuations.

B. Expenses

36. In accordance with decision 2010/32, expenditures are reported in four cost-classification categories: (a) development; (b) United Nations development

coordination; (c) management; and (d) special purpose. Expenditures outside those cost classifications are reported under "other activities" and included as part of overall expenditure.

37. Regular resources expenses fell by 6 per cent, to $940 million (2013: $999 million), remaining above the level of revenue by drawing on the accumulated surplus excluding unrealized adjustments. Given the decline in contributions, UNDP took measures to reduce core expenses so as to achieve the minimum required liquidity level. Development effectiveness expenses were contained by withholding release of the $17 million annual amount approved by the Executive Board in the integrated budget, 2014-2017. UNDP managed to maintain the level of expenses for United Nations development coordination and minimize the reductions in programme expenses by focusing reductions on management expenditure. Regular resources expenses, by cost classification, are shown in table 6, below.

Table 6
Regular resources expenses, by cost classification, 2013-2014
(in millions of dollars)

Regular resources	2014	2013	*Increase/ (decrease)*	*% change*
Expenses				
Development activities:				
Programme	466	472	(6)	(1%)
Development effectiveness	79	88	(9)	(10%)
Subtotal development activities	545	560	(15)	(3%)
United Nations development coordination activities	88	74	14	19%
Management activities	212	260	(48)	(18%)
Special-purpose activities	19	17	2	12%
Other	76	88	(12)	(14%)
Total expenses	940	999	(59)	(6%)

Development expenses

38. Development expenses decreased by 3 per cent, to $545 million (2013: $560 million). This is in line with the reduction in regular resources and UNDP efforts to adjust spending levels to meet minimum liquidity requirements given the volume of regular resources contributions received.

United Nations development coordination expenses

39. UNDP support to the resident coordinator system increased by 19 per cent, to $88 million (2013: $74 million). This is in line with the step change and increased support highlighted in the strategic plan and integrated budget, 2014-2017. Those expenses incorporate both financing the "backbone" resident coordinator system structure at country, regional and global levels, and the UNDP share of supplemental costs as part of a system-wide cost-sharing of the resident coordinator system.

Management expenses

40. Expenses were reduced by 18 per cent, to $212 million (2013: $260 million), as a result of the UNDP decision to reduce the institutional component of the

integrated budget by shifting the allocation of resources to programmatic components and the United Nations system coordination component. Details on management expenses are presented in section C, below.

Special-purpose expenses

41. Expenses totalled $19 million (2013: $17 million). Major expenses are $13 million related to the UNV programme, and $4 million related to UNCDF.

Other expenses

42. Other expenses totalled $76 million (2013: $88 million), of which $25 million (2013: $31 million) related to after-service health insurance and $27 million (as in 2013) to the revaluation of currencies and exchange rate fluctuations.

43. UNDP participates in the United Nations system-wide review, performed by an independent actuary, to value post-retirement benefits. The latest valuation was carried out as at 31 December 2014. The after-service health insurance liability, valued at $1,142 million (2013: $858 million), has been recorded as a UNDP liability in accordance with International Public Sector Accounting Standards. The $284 million (33 per cent) increase in the liability is due primarily to a decrease in the actuarial assumption discount rate, and an appropriate designation of retirees among UNDP, UNFPA, and UNOPS.

44. UNDP has a 15-year plan to fund its after-service health insurance liability. As of 31 December 2014, $500 million had been funded. An asset and liability management study was commissioned to explore the range of investment options, quantification of risks, and discussion of potential funding plans. It identified investment strategies to optimize the ability of UNDP to fund these liabilities over a 15 year period.

C. Regular resources and institutional budget expenditure

45. For activities reported in 2014, UNDP operates within integrated budget, 2014-2017, as approved by the Executive Board, for regular resources-financed activities: (a) programmatic components; and (b) institutional components. The comparison of actual expenditure levels to the composite annualized institutional budget attributed to 2014, plus the internal allocation according to the Executive Board-approved programming arrangements framework, is presented in annex II. The actual expenditure amounts are calculated on the same basis as the corresponding budget (modified accruals basis).

46. Annex II compares the final approved budget, covering both programmatic and institutional components, with actual amounts, calculated on the same basis as the corresponding budget for regular resources.

47. Institutional expenditure decreased by 13 per cent, to $325 million (2013: $374 million). This was in line with the UNDP strategy to contain growth in the institutional budget. The amounts in table 7, below, relate to the institutional component covering the functions that support operational activities, reduced by $27 million in government contributions to local office costs.

Table 7
Institutional budget expenditure, by cost classification, 2013-2014
(in millions of dollars)

	2014	2013
Development activities		
Development effectiveness	57	62
United Nations development coordination activities	73	63
Management activities	179	235
Special-purpose activities	16	14
Total expenditures	325	374

D. Accumulated surplus

48. The accumulated surplus at 31 December 2014 reflected a negative balance of $30 million (2013: positive balance of $150 million), primarily as a result of accounting adjustments related to after-service health insurance. Including the reserves (operational and special reserves) of $208 million, the net balance would be $178 million.

49. A prudent level of liquidity for regular resources would be the equivalent of three to six months' expenditures. UNDP made every effort to reduce expenditure levels so as to meet liquidity requirements, maintaining the year-end core liquidity position at 3.10 months of working capital, above the minimum threshold.

50. In 2014, based on the formula for the operational reserve requirements approved in decision 1999/9 and on the final income and expenditure figure for 2013, the regular resources operational reserve was adjusted downwards, and $5 million was transferred back to the regular resources fund balance.

IV. Cost-sharing

51. Cost-sharing is a co-financing modality, with resources provided by donor governments, programme country governments, and other UNDP programme partners.

A. Revenue

52. Cost-sharing revenue fell by 7 per cent, to $2,830 million (2013: $3,029 million). Table 8, below, shows the breakdown.

Table 8
Cost-sharing revenue, 2013-2014
(in millions of dollars)

Cost-sharing	2014	2013	Increase/ (decrease)	% change
Revenue				
Contributions	2,921	3,060	(139)	(5%)
Transfer of funds and refunds to donors	(113)	(62)	(51)	82%
Contributions, net	2,808	2,998	(190)	(6%)
Investment revenue	17	25	(8)	(32%)
Other revenue	5	6	(1)	(17%)
Total revenue	2,830	3,029	(199)	(7%)

Contributions

53. Cost-sharing contributions decreased by 5 per cent, to $2,921 million (2013: $3,060 million), due to decreases by donor and programme country governments. This includes $122 million in contributions receivable.

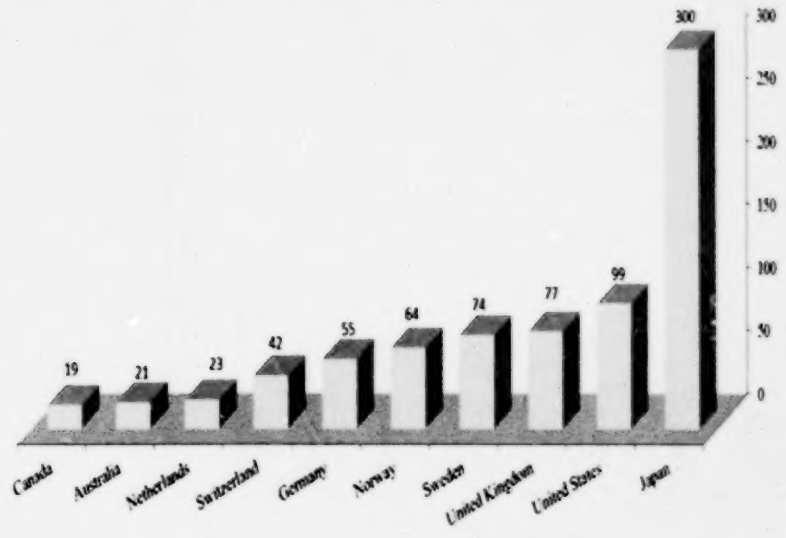
Table 9
Cost-sharing contributions by donor source, 2013-2014
(in millions of dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2014	840	863	1,218	2,921
2013	898	1,118	1,044	3,060
Increase/ (decrease)	(58)	(255)	174	(139)
% change	(6%)	(23%)	17%	(5%)

Donor country governments

54. Contributions from donor country governments decreased by 6 per cent, to $840 million, representing 29 per cent (as in 2013). Figure 4, below, shows the contributions from top 10 donor country governments, which totalled $774 million (2013: $841 million), representing 26 per cent of cost-sharing contributions.

Figure 4
Cost-sharing contributions, top 10 donor country governments, 2014
(in millions of dollars)



Programme country governments

55. Contributions channelled through UNDP by programme country governments decreased by 22 per cent, to $863 million (2013: $1,118), representing 29 per cent of cost-sharing contributions (2013: 37 per cent).

56. Of that $863 million, 69 per cent (2013: 77 per cent) was from the governments of 10 programme countries (see figure 5, below). Among the top 10 countries, Egypt, Paraguay, and Lebanon increased their cost-sharing contributions in 2014.

Figure 5
Cost-sharing contributions: top 10 programme country governments, 2014
(in millions of dollars)

Multilateral resources

57. Multilateral resources comprised funding from multilateral partners including the Global Fund to Fight Aids, Tuberculosis and Malaria, the European Union, and multi-donor trust funds/joint programmes.

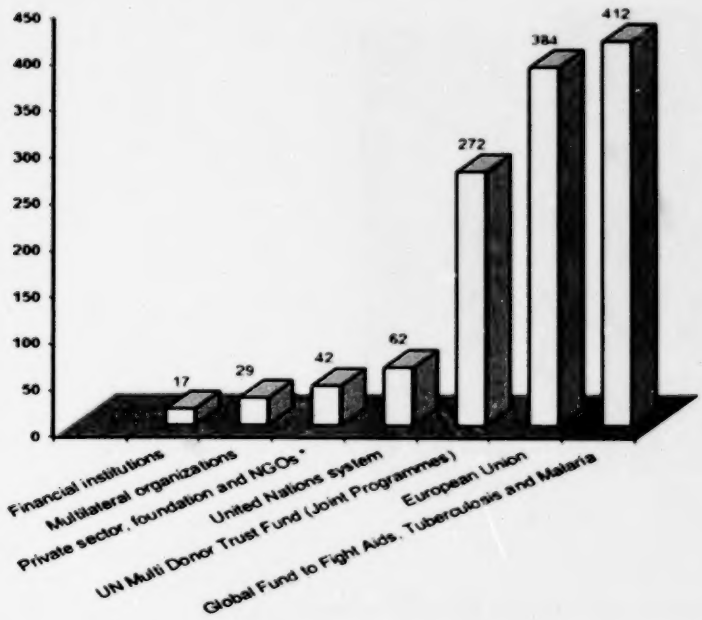
58. Contributions from multilateral resources increased to $1,218 million (2013: $1,044 million), representing 42 per cent (2013: 34 per cent) of cost-sharing contributions.

59. Contributions from the Global Fund increased to $412 million (2013: $395 million), excluding $58 million received in 2014 for later programming, which will be recognized as contribution revenue in 2015. Contributions from the European Union increased to $384 million (2013: $236 million). Funds channelled through the Multi-Partner Trust Fund Office remained constant, at $272 million.

60. Contributions from the private sector, foundations and non-governmental organizations decreased by 22 per cent, to $42 million (2013: $54 million). The Bill and Melinda Gates Foundation ($9.7 million) and the Coca Cola Company ($4.5 million) were the top contributors.

61. Contributions from international and regional financial institutions decreased by $16 million in 2014.

Figure 6
Cost-sharing contributions, multilateral partners, 2014
(in millions of dollars)



* Non-governmental organizations

Investment revenue

62. Cost-sharing investment revenue decreased, to $17 million (2013: $25 million), for reasons similar to those provided in paragraph 14.

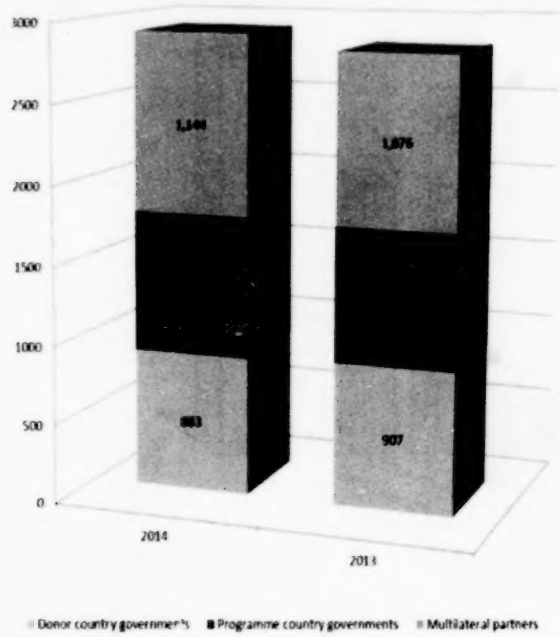
Other revenue

63. Other revenue totalled $5 million, and included miscellaneous revenue such as income generated by projects, reimbursements for services, and foreign exchange gains.

B. Expenses

64. Cost-sharing expenses are for development activities; they increased by 3 per cent, to $2,923 million (2013: $2,833 million). Thirty per cent was funded by donor country governments, 31 per cent by programme country governments, and 39 per cent by multilateral partners. The breakdown is shown in figure 7, below.

Figure 7
Breakdown of cost-sharing expenses, 2013-2014
(in millions of dollars)



C. Accumulated surplus

65. The accumulated cost-sharing surplus as at 31 December 2014 was $2,656 million (2013: $2,756 million), including $860 million of government cost-sharing and $301 million of vertical funds. Seventy-eight per cent of those resources were programmed for delivery in 2015 and future years.

V. Trust funds

66. While trust fund resources were primarily funded by donor governments and multilateral partners, programme country governments also contributed.

A. Revenue

67. Trust funds revenue increased by 18 per cent, to $864 million (2013: $743 million). Table 10, below, shows the breakdown.

Table 10
Trust fund revenue, 2013-2014
(in millions of dollars)

Trust funds	2014	2013	Increase/ (decrease)	% change
Revenue				
Contributions	875	743	132	18%
Transfer of funds and refunds to donors	(18)	-	(18)	-
Contributions, net	857	743	114	15%
Investment revenue	6	9	(3)	(33%)
Other revenue	1	3	(2)	(67%)
Total revenue	864	755	109	14%

Contributions

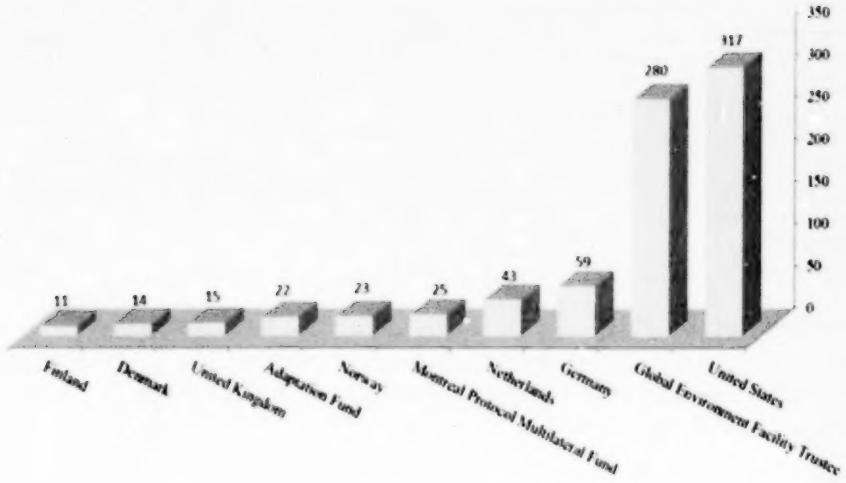
68. Contributions rose to $875 million (2013: $743 million), comprising $873 million in contributions received and $2 million receivable. Table 11, below, shows the breakdown.

Table 11
Trust funds contributions by donor source, 2013-2014
(in millions of dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2014	524	5	346	875
2013	357	13	373	743
Increase/(decrease)	167	(8)	(27)	132
% change	47%	(62%)	(7%)	18%

69. Figure 8, below, presents the top 10 bilateral governments and multilateral partners' contributions to trust funds, which totalled $809 million. Of this, $206 million was for Law and Order Trust Fund for Afghanistan, and $41 million for the Thematic Trust Fund for Crisis Prevention and Recovery.

Figure 8
Trust funds contributions, top 10 partners, 2014
(in millions of dollars)



70. Contributions to trust funds from programme country governments totalled $5 million (2013: $12 million). The top contributors were China ($2 million for the Programme of Assistance to Palestinian People and the Trust Fund for the Promotion of South-South Cooperation); India ($1 million for the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation); and South Africa ($1 million for the same facility).

Investment revenue

71. Trust funds investment revenue decreased to $6 million (2013: $9 million), for reasons similar to those provided in paragraph 14.

Other revenue

72. Other revenue decreased by 67 per cent, to $1 million (2013: $3 million).

B. Expenses

73. Trust fund expenses were $960 million (2013: $976 million). Table 12, below, reflects expenses by cost classifications.

Table 12
Trust funds expenses, by cost classification, 2013-2014
(in millions of dollars)

Trust funds	2014	2013	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	919	940	(21)	(2%)
Development effectiveness	4	3	1	33%
Subtotal — development activities	923	943	(20)	(2%)
Management activities	37	33	4	12%
Total expenses	960	976	(16)	(2%)

Development expenses

74. Development activities comprised $919 million for programme activities and $4 million for development effectiveness activities. Of this, development expenses of the Law and Order Trust Fund for Afghanistan represent $383 million (42 per cent), the Global Environment Facility represents $319 million (35 per cent), and thematic trust funds represents $115 million (13 per cent), which includes $82 million for the Thematic Trust Fund for Crisis Prevention and Recovery, $15 million for the Democratic Governance Thematic Trust Fund and $18 million for other thematic trust funds.

Management expenses

75. Expenses of $37 million (2013: $33 million) for management activities in table 12, above, related to the Global Environment Facility and the Multilateral Fund for the Implementation of the Montreal Protocol. Management expenses related to other trust funds are embedded in overall non-core management expenses, shown in table 15, below.

C. Accumulated surplus

76. Trust funds reported an excess of expenses over revenue of $96 million. The accumulated surplus at the end of 2014 fell to $796 million (2013: $892 million), including $370 million (46 per cent) for vertical funds. Sixty-nine per cent of the trust fund accumulated surplus is programmed for delivery in 2015 and future years.

VI. Reimbursable support services and miscellaneous activities

77. Reimbursable support services and miscellaneous activities represent resources from provision of management and other support services to third parties, and include, primarily, the following activities: the JPO programme; the UNV programme; management service agreements; special activities; and cost recovery.

A. Revenue

78. Revenue rose by 7 per cent, to $652 million. Table 13, below, presents revenue by type.

Table 13
Reimbursable support services and miscellaneous activities revenue, 2013-2014
(in millions of dollars)

Reimbursable support services and misc. activities	2014	2013	Increase/ (decrease)	% change
Revenue				
Contributions	126	141	(15)	(11%)
Net contributor country contributions to local office costs	12	12	-	-
Transfer of funds and refunds to donors	7	10	(3)	(30%)
Contributions, net	145	163	(18)	(11%)
Investment revenue	5	8	(3)	(38%)
Other revenue	502	441	61	14%
Total revenue before elimination	652	612	40	7%

Contributions

79. The contributions of $126 million are composed of the sources shown in table 14, below. The contributions for special activities include $7 million for United Nations development coordination, $5 million for support to security, and $10 million for avian and human influenza activities.

Table 14
Reimbursable support services and miscellaneous activities contributions, 2014
(in millions of dollars)

Funding source	Donor resources			Total resources
	Donor country governments	Programme country governments	Multilateral partners	
Resources:				
JPO programme	14	1	-	15
UNV programme	17	1	1	19
Management service agreements	-	6	-	6
Special activities	16	9	36	61
Reimbursable support services	-	-	25	25
Total	**47**	**17**	**62**	**126**

80. Net contributor programme country governments contributed $12 million to local office costs: 68 per cent in the Arab States region; 28 per cent in the Latin America and the Caribbean region; 3 per cent in the Asia and the Pacific region; and 1 per cent in the Africa region.

Investment revenue

81. Investment revenue decreased to $5 million (2013: $8 million), for reasons similar to those provided in paragraph 14.

Other revenue

82. Other revenue rose by 14 per cent, to $502 million (2013: $441 million). Further details of cost-recovery revenue are presented in paragraphs 100-101, below.

B. Expenses

83. Expenses rose by 10 per cent, to $714 million (2013: $651 million).

Table 15
Expenses by cost classification, 2013-2014
(in millions of dollars)

Reimbursable support services and misc. activities	2014	2013	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	90	110	(20)	(18%)
Development effectiveness	92	49	43	88%
Subtotal - development activities	182	159	23	14%
United Nations development coordination activities	29	45	(16)	(36%)
Management activities	201	169	32	19%
Special purpose activities	47	39	8	21%
Other activities	255	239	16	7%
Total expenses before elimination	714	651	63	10%

Development expenses

84. Development expenses totalled $182 million (2013: $159 million), consisting of $90 million for programme activities and $92 million for development effectiveness.

85. Programme expenses comprised $56 million for management service agreements (2013: 76 million) and $34 million for the UNV programme (2013: $34 million).

United Nations development coordination expenses

86. Support to United Nations development coordination activities reached $29 million (2013: $45 million). That included expenses of $9 million utilizing donor resources earmarked for country coordination, and $19 million in resources from United Nations organizations in support to the resident coordinator function.

Management expenses

87. Management activities increased by 19 per cent, to $201 million (2013: $169 million), utilizing cost-recovery resources, due to better attribution of management costs between regular and other resources.

88 An ex-gratia payment of $2.6 thousand to personnel in Ecuador, approved by the Administrator in 2014, was included in the management expenses.

Special-purpose expenses

89. Special-purpose expenses totalled $47 million (2013: $39 million), representing expenses on reimbursable support service activities.

Other expenses

90. Other expenses totalled $255 million (2013: $239 million). Of this, $89 million was related to staff security on behalf of the United Nations system (funded by the United Nations Department of Safety and Security); $18 million to the JPO programme; $86 million to the UNDP share of common service activities; and $21 million to after-service health insurance.

C. Cost recovery

Cost-recovery policy

91. In its decisions 2006/30, 2007/18 and 2014/9, the Executive Board stipulated that regular and other resources should fund and support the priorities set out in the strategic plan, and that regular resources should not subsidize the cost of programmes funded by other resources. The cost-recovery policy establishes that costs associated with the delivery of other resources-funded programmes are to be fully covered through appropriate cost-recovery mechanisms.

92. UNDP makes every effort to recover the general management and implementation costs associated with the delivery of other resources-funded programmes and projects, and with other United Nations entities. Costs funded from the institutional budget that are directly attributable to development programmes and projects are charged as direct project costs to those programmes and projects, to ensure that the institutional budget does not bear costs that it was never intended to bear.

93. Cost-recovery revenue was $349 million in 2014, and expenses were $345 million, as shown in table 16, below. The revenue includes $259 million in general management support fees and reimbursement of implementation support services fees from cost-sharing and trust funds. To avoid duplication, that revenue is removed from total revenue (included in the net total elimination of $223 million).

Table 16
Cost recovery, 2014
(in millions of dollars)

Cost recovery	Programme and project delivery	Reimbursable support services	Total
Revenue			
General management/implementation support services	259	-	259
United Nations organizations — reimbursable services	20	35	55
Administrative agent fees	5	-	5
Joint offices management and support to multi-partner trust fund steering committees	8	-	8
Net contributor country contributions to local office costs	12	-	12
Other	10	-	10
Total revenue	314	35	349
Expenses			
Total expenses	308	37	345

94. Following demands from funding partners, 24 general management support waivers were granted in 2014 (presented in annex IV). That relatively high number compared to previous years reflects the transition to the new cost recovery rate, effective 1 January 2014. UNDP makes every effort to attain full compliance with the cost recovery rate and significantly reduce the number of waivers.

D. Accumulated surplus

95. The accumulated surplus at the end of 2014 decreased by 28 per cent, to $410 million (2013: $572 million), due mainly to the net actuarial loss of approximately $102 million relating to after-service health insurance, and the reduction in new revenue for management service agreement activities, with ongoing expenses drawing from the surplus carried over from prior years.

E. Others

96. Management service agreements revenue totalled $4 million (2013: $62 million), consisting of $6 million in contributions (2013: $62 million); $1 million in investment revenue (2013: $1 million); donor-approved transfers to management services agreements of $1 million (2013: $3 million); and refunds to donors of $4 million (as in 2013). The distribution of revenue is shown in DP/2015/26/Add.1. The accumulated surplus at the end of 2014 was $75 million (2013: $126 million).

United Nations Volunteers programme

97. During 2014, 6,325 United Nations volunteers from 155 countries supported partner United Nations entities in their peace and development activities through 6,433 assignments. The financial value of UNV operations amounted to $201 million (2013: $210 million), which included and was supported by UNDP regular resources. Of this, programme resource expenses made directly by the UNV

programme — through the Special Voluntary Fund, cost-sharing, trust funds and full funding arrangements — was $20 million (10 per cent). The remaining financial value is attributable to direct charges to United Nations organizations.

98. 2014 was a year of delivery, reflection, partner engagement, consolidation and transformation, culminating in the finalization and launch of the UNV strategic framework, 2014-2017, the first of its kind. The key results of 2014 were increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development; further mobilization of UNV volunteers for the delivery of peace and development results; and the enhancement or forging of traditional and new partnerships within and outside the United Nations system.

Junior Professional Officers programme

99. Twenty-seven governments have agreements for the provision of JPOs, and five have valid agreements for the provision of special assistants to resident coordinators. At 31 December 2014, UNDP administered 223 JPOs and 20 special assistants, 129 of whom were working with UNDP and affiliated funds and programmes as of 31 December 2014.

100. In 2014, UNDP recognized $15 million in revenue for the JPO programme. Expenses, including support costs, were $18 million. The accumulated surplus available at the end of 2014 was $18 million. UNDP received $15.2 million from other United Nations organizations and partners to administer 114 JPOs on their behalf, and $13.5 million was delivered in 2014, excluding support costs ($14.2 million including support costs).

Sector budget support

101. In its decision 2008/24, the Executive Board endorsed a pilot allowing UNDP financial contributions to pooled funding and sector budget support, on a case-by-case basis, at the request of the recipient country, in accordance with the mandate of UNDP and in line with the guidance provided in DP/2008/36, and DP/2008/36/Corr.1 and DP/2008/36/Corr.2. In decision 2015/1, the Board extended the pilot period until 1 January 2017.

102. In 2009, a request from the Government of Burkina Faso for UNDP participation in sector budget support was approved for two projects, on HIV/AIDS and on human rights promotion. The 2014 UNDP contribution in the area of HIV/AIDS was $100,000 out of a total $8,547,008, less than 1.77 per cent of HIV/AIDS sector budget funds. An additional request from the Government of Burkina Faso was approved in 2013, for access to energy services in rural areas through the multifunctional platform programme, for which, in 2014, UNDP contributed $100,000 from regular resources, and $488,231 from other resources (Luxembourg). Total UNDP contributions from regular resources to basket funds were below the 10 per cent cap of the annual authorized spending limit of regular resources funds contained in the resource planning framework established by the Executive Board. A desk review of direct budget support to UNDP Burkina Faso was conducted by the Office of Audit and Investigations in 2014, resulting in a satisfactory rating.

103. The Government of Nepal has adopted a single sector-wide approach for local governance development work at both the central and local levels, and has

employed a joint financing arrangement to pool resources and finances on local governance-related initiatives, projects and activities. UNDP signed the arrangement on 8 July 2014 to support the second Local Governance and Community Development Programme through sector budget support, and plans to disburse $100,000 in 2015 to be used exclusively for the programme.

VII. United Nations reform and support to other United Nations organizations

104. UNDP coordinates the United Nations system at the country level and plays a vital role in fostering development coherence. Available data indicate that the value of joint programmes, fund flows to multi-donor trust funds, and support to other United Nations organizations totalled $1,484 million (2013: $1,325 million).

A. UNDP administrative agent function

105. UNDP supports joint programming through its role in fund design and administration of joint programmes and multi-donor trust funds on behalf of the United Nations system and national governments, and through its programme implementation role as a participating United Nations organization. Contributions received by UNDP for multi-donor trust funds increased to $891 million (2013: $736 million). The increase in overall contributions reflects an increase in funding for global transition funds and development funds, including $126 million received for the Ebola Response Fund. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was $824 million (2013: $688 million), including $278 million transferred to UNDP for UNDP programmes (2013: $270 million).

B. Support to United Nations organizations

106. UNDP country offices support to other United Nations organizations totalled $593 million (2013: $589 million).

C. United Nations development coordination activities

107. UNDP plays significant roles in United Nations system coordination and country-level coordination in support of national development. Combined expenses totalled $117 million ($88 million from regular resources and $29 million from the resources of reimbursable support services and miscellaneous activities).

D. United Nations-mandated security costs

108. In its decision 2013/28, the Executive Board approved $30 million for the 2014-2017 biennium as a separate requirement from regular resources for United Nations-mandated security costs. The Administrator was granted the exceptional authority, during 2014-2017, to disburse up $30 million for new and emerging security mandates as defined in United Nations Department of Safety and Security

directives. $5 million was allocated against this exceptional authority in support of Ebola related activities in Guinea, Liberia and Sierra Leone, and $2.7 million was disbursed in 2014.

109. The $30 million forms part of a total estimated requirement of $75 million in 2014-2015 for security measures ($30 million from regular resources and $45 million from other resources). UNDP spent $38 million (2013: $32 million), including $28 million in other resources (2013: $19 million). Of the $38 million expensed, $24 million (2013: $21 million) was associated with the UNDP share of the United Nations field security coordination programme; and $14 million (2013: $11 million) with security assessments security compliance, improvement of premises security, blast and seismic assessments, and office relocations.

VIII. International Public Sector Accounting Standards

110. The International Public Sector Accounting Standards were adopted on 1 January 2012, in accordance with General Assembly resolution 60/283. The final year of the adoption programme was 2013, although some ongoing activities will conclude in 2015. As the standards evolve, further investments will be required to ensure the adoption of future standards mandated by their Board.

IX. "Greening" UNDP

111. UNDP continued to demonstrate leadership in its work to minimize the environmental impact of its operations. UNDP reported its fifth global annual greenhouse gas inventory, including data from over 70 UNDP offices, and continued to track and disclose its environmental performance. UNDP initiated monitoring of waste management and resources consumption.

112. UNDP made substantial progress in moving the organization towards "greener", more resilient operations at headquarters, country offices and regional centres, and minimizing the environmental impact associated with operations. Staff are developing solutions to reduce reliance on fossil fuels and natural resources while improving operational resilience and cost-effectiveness. Installation of photovoltaic electricity generation systems in vulnerable offices, such as in Ebola-affected countries, was a priority in 2014.

113. UNDP headquarters maintains "climate neutrality" in its operations by reducing greenhouse gas emissions and offsetting remaining emissions through the purchase of high-quality certified emission reductions from projects contributing to sustainable development priorities and the Millennium Development Goals. Efforts were financed by a 2 per cent supplement charged on headquarters-booked travel. For 2014, the purchase of renewable energy credits to "green" headquarters electricity consumption totalled $64,660, and purchase of emission reductions to offset the remaining 5,425 tonnes of carbon dioxide emissions totalled $13,956.

X. Funds administered by UNDP

United Nations Capital Development Fund

114. Detailed data for UNCDF (which is administered by UNDP), are provided in annex V and DP/2015/26/Add.1, table 11.

115. In 2014, UNCDF operated in 31 of the 48 least developed countries, offering concrete approaches to poverty eradication through the promotion of inclusive, sustainable growth.

116. UNCDF contributions revenue grew to a record level of $88 million (2013: $65 million). The UNCDF donor base continued to diversify, with 44 partners (up from 36 in 2013), eight of which were private sector entities/foundations that contributed $21 million to UNCDF (24 per cent of total revenue). Although the record revenue is a sign of strong demand for UNCDF services, it was due entirely to growth in other resources. In 2014, contributions to UNCDF regular resources decreased by 7 per cent, to $15 million. Regular resources contributions remained well short of the $25 million per year required as a minimum to sustain UNCDF operations in 40 of the 48 least developed countries, as envisaged in the UNCDF investment plan. The largest donors were Sweden, the United Nations Multi-Partner Trust Fund, The MasterCard Foundation, the European Commission, Belgium, the Bill and Melinda Gates Foundation, Switzerland, Denmark, Australia and Luxembourg.

117. Expenses for development activities, before elimination, totalled $57 million, including programme expenses of $55 million and development effectiveness expenses of $2 million. UNCDF disbursed $26 million in grants, as reflected in expenses. The operational reserve for UNCDF regular and other resources was $14 million. UNCDF was thus able to deliver its planned development, management and financial results while sustaining its liquidity.

118. The $58 million in expenses excludes $3.5 million in the UNDP institutional budget and $1.25 million of UNDP programme support that were set aside for UNCDF management and technical expenditures, respectively. The amounts were fully expended by UNCDF but were recorded and reported separately by UNDP.